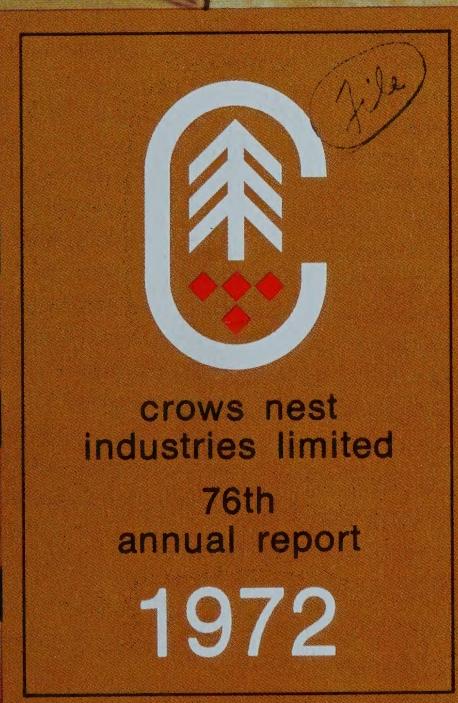


AR45









THOMAS F. GLEED, Seattle  
*Chairman*



M. B. PEPPER, *President*



D. E. SKINNER, Seattle  
*Executive*



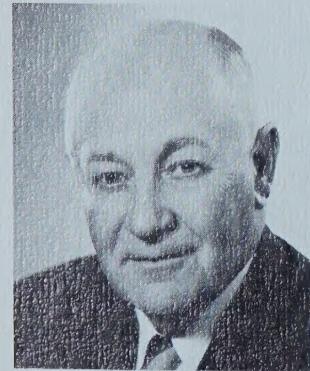
NEIL B. IVORY, Montreal  
*President and Director,  
Pembroke Management Ltd.*



GEORGE V. POWELL, Seattle  
*Lawyer*



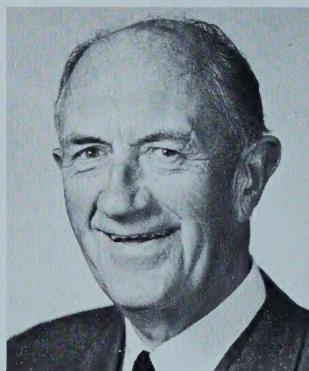
CLIFFORD L. LAROCK, Montreal  
*Chairman and Director  
Pembroke Management Ltd.*



F. DREWE PRATT, Vancouver  
*Lawyer*



JOHN W. PITTS, Vancouver  
*President, Okanagan Helicopters*



HENRY C. JUDD, Menlo Park  
*Retired*



WILLIAM R. PRENTICE  
*Retired*





## Chairman's Statement to Shareholders

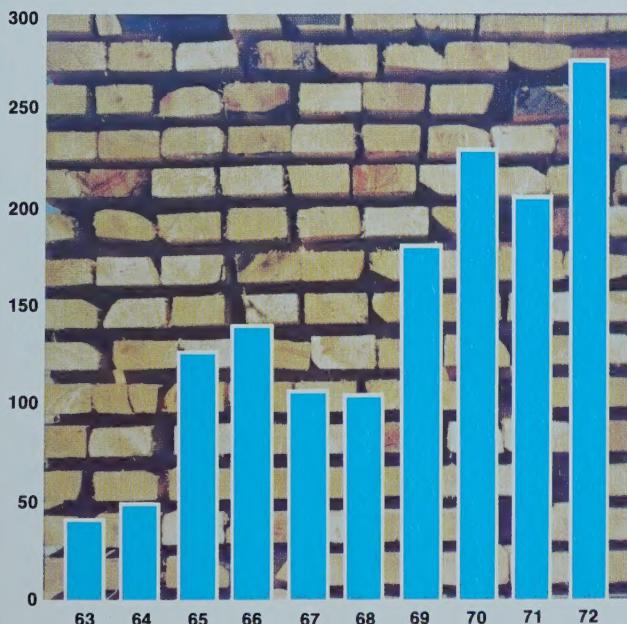
1972 was a year of progress.

While there were the normal interferences with satisfactory production and related opportunities for profit, management is well aware of the problem areas and has programmed accordingly.

Despite six months of abnormal weather, a brief Woodworkers strike in July, a major forest fire, inconsistent rail car supply and break-in problems with the expanded sawmill facility, the Company ended the year with a satisfactory working capital position and completely free of term debt.

The balance sheet and record year-end earnings speak for themselves. Continued improvements in both areas are anticipated.

Crows Nest's continued harvesting of a substantial British Columbia forest resource on a sustained yield basis is of value, not only to



### FOREST PRODUCTS DIVISION WAGE PAYROLLS

1963	.....	\$ 434,776
1964	.....	489,198
1965	.....	1,271,606
1966	.....	1,425,254
1967	.....	1,058,428
1968	.....	1,025,592
1969	.....	1,793,818
1970	.....	2,301,370
1971	.....	2,097,978
1972	.....	2,740,291
		<u>\$14,638,311</u>

shareholders, but even more so to those in our area whose economic well-being is inextricably linked to responsible management of this renewable asset.

Although field exploration this year was minimal, a large volume test on our Line Creek coal under actual mining-washing conditions proved highly successful and provided information on quality not otherwise available. Growing world demand for metallurgical and thermal coal reaffirms the values of our proven reserves.

Recoveries from oil and gas reserves continue to be satisfactory, but future revenues will be reduced by declining oil reserves and higher royalties.

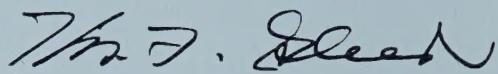
The Company's wholly-owned subsidiary, the Kootenay and Elk Railway Company, on appeal to the Supreme Court of Canada, received a favourable decision, and was awarded costs, in connection with its bid to provide an alternate transportation route to efficiently market the industrial output of this region.

Among the corporate, employee and civic activities commemorating our 75th year of continuous operation was the presentation to the City of Fernie of a 13½ acre park named for native son W. R. (Bill) Prentice, who retired as Crows Nest's tenth President in May 1972, and a full day on our property with corporate neighbours in honour of Ian Sinclair, Chairman of the CPR, F. S. Burbidge, President of the CPR and their associates.

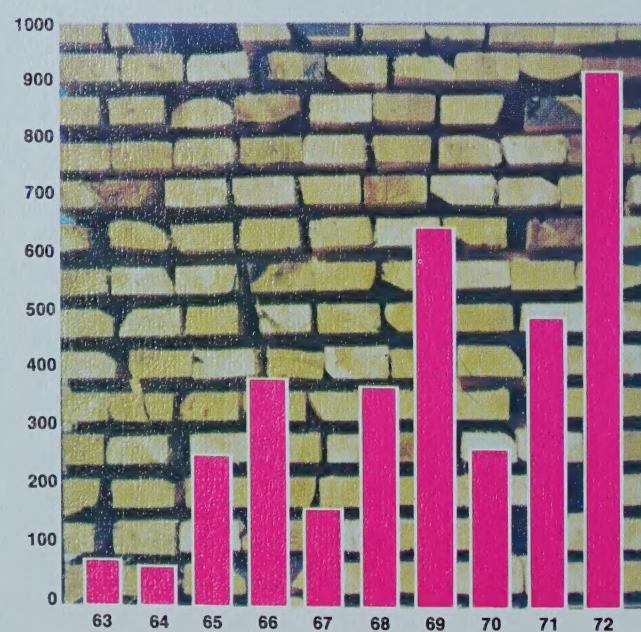
As a reflection of confidence in sustained earnings, a quarterly dividend policy has been established. For the quarters ending March 30th and June 30th, 1973, respectively, the

Board has declared a dividend of 12½¢ per share, marking the 55th consecutive year of cash dividends to shareholders.

Under the leadership of M. Bruce Pepper, who succeeded to the Company's Presidency this year, Crows Nest Industries has every reason to be optimistic about the future.

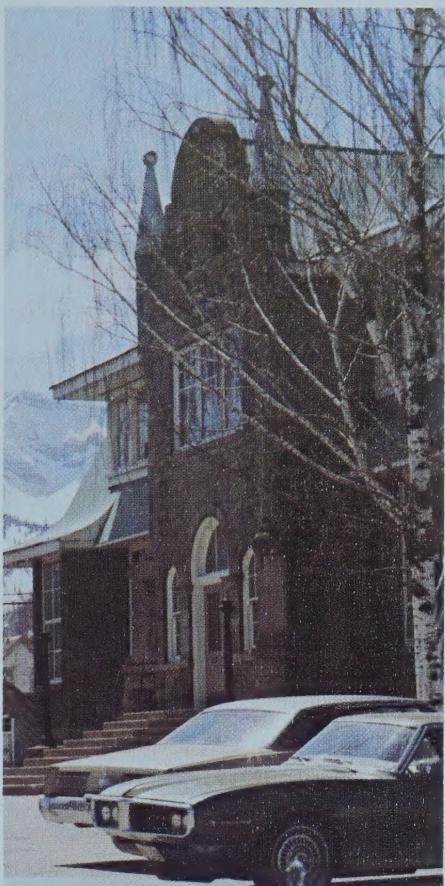


THOS. F. GLEED  
Chairman



#### PROVINCIAL STUMPPAGE & ROYALTY PAYMENTS

1963.....	\$ 73,589
1964.....	67,973
1965.....	270,517
1966.....	394,688
1967.....	157,835
1968.....	372,556
1969.....	622,090
1970.....	263,400
1971.....	496,498
1972.....	906,783
	<u><u>\$3,625,929</u></u>

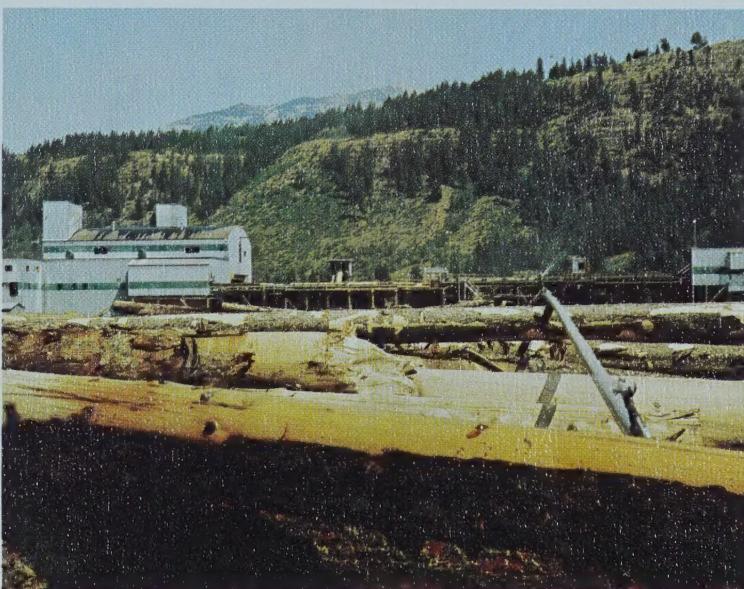
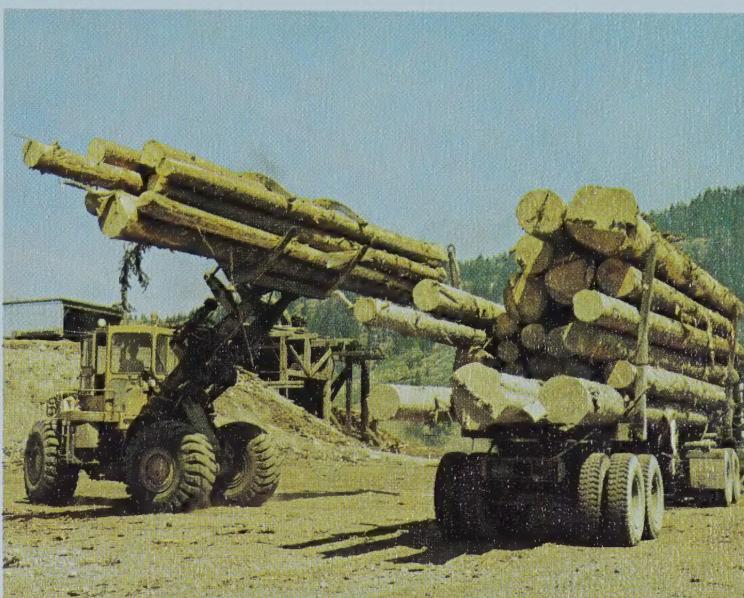


*Above — Head Office, Fernie, B.C.*

*Top Right — Unloading trucks,  
Elko Log Yard.*

*Middle Right — Log yard with  
infeed to sawmill in background.*

*Lower Right — Left: Chairman  
T. F. Gleed. Right: President M. B.  
Pepper.*





**CROWS NEST INDUSTRIES LIMITED**  
(Incorporated under the laws of Canada)

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

**consolidated balance sheet december 31, 1972 and 1971**

**ASSETS**

	<b>1972</b>	<b>1971</b>
<b>CURRENT:</b>		
Cash and term deposits . . . . .	\$ 132,456	\$ 77,509
Accounts receivable . . . . .	1,264,878	1,368,787
Inventories valued at the lower of cost and net realizable value	1,749,552	1,616,581
Prepaid expenses . . . . .	92,284	60,264
	<hr/> 3,239,170	<hr/> 3,123,141
 <b>FIXED, at cost (Note 1):</b>		
Forest products —		
Timber cutting rights, roads and real estate less accumulated depletion of \$2,015,750 (1971 — \$1,468,383) . . . . .	1,817,798	1,873,565
Plant and equipment less accumulated depreciation of \$3,471,852 (1971 — \$3,054,193) . . . . .	5,724,973	5,383,904
Petroleum and natural gas —		
Acquisition and productive development costs less accumulated depletion of \$2,522,171 (1971 — \$2,758,115) . . . . .	818,123	846,024
Production equipment less accumulated depreciation of \$1,257,626 (1971 — \$1,150,807) . . . . .	446,617	499,895
Minerals —		
Acquisition, exploration and development costs . . . . .	1,547,111	1,599,671
	<hr/> 10,354,622	<hr/> 10,203,059
 <b>OTHER:</b>		
Mortgages receivable . . . . .	29,137	30,945
Refundable deposits . . . . .	150,414	150,414
Deferred railway representation costs, etc. . . . .	1,303,694	1,322,011
	1,483,245	1,503,370
	<hr/> \$15,077,037	<hr/> \$14,829,570

See accompanying notes.

STATEMENT 1

**LIABILITIES**

	<u>1972</u>	<u>1971</u>
<b>CURRENT:</b>		
Bank loans (secured by accounts receivable and inventories) .	\$ 332,000	\$ 2,252,000
Accounts payable and accrued charges . . . . .	1,338,494	1,400,292
	<u>1,670,494</u>	<u>3,652,292</u>
 <b>DEFERRED INCOME TAXES</b> . . . . .	 560,730	 447,575

**SHAREHOLDERS' EQUITY:**

Capital —

Authorized —

1,187, 950 common shares of \$8 par value each

Issued —

745,872 common shares . . . . .	5,967,843	5,967,843
Contributed surplus . . . . .	567,160	567,160
Retained earnings (Statement 2) . . . . .	6,310,810	4,194,700
	<u>12,845,813</u>	<u>10,729,703</u>

On behalf of the Board:

T. F. GLEED, Director.

F. D. PRATT, Director.

\$15,077,037      \$14,829,570



## STATEMENT 2

**CROWS NEST INDUSTRIES LIMITED**  
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

**consolidated statement of retained earnings**  
**for the years ended december 31, 1972 and 1971**

	<u>1972</u>	<u>1971</u>
Balance, beginning of year . . . . .	\$ 4,194,700	\$ 2,173,889
Add (deduct):		
Net income for the year (Statement 3) . . . . .	2,489,046	1,186,371
Dividends paid . . . . .	(372,936)	(186,476)
Capital surplus transferred on reduction of share capital . . . . .	—	1,300,000
Excess of cost over par value of common shares cancelled . . . . .	—	(279,084)
Balance, end of year . . . . .	<u>\$ 6,310,810</u>	<u>\$ 4,194,700</u>

See accompanying notes.

**STATEMENT 3****CROWS NEST INDUSTRIES LIMITED  
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES****consolidated statement of income  
for the years ended December 31, 1972 and 1971**

	<b>1972</b>	<b>1971</b>
<b>Sales:</b>		
Forest products . . . . .	\$11,650,653	\$ 7,946,692
Petroleum and natural gas . . . . .	964,742	1,006,625
	<hr/>	<hr/>
	12,615,395	8,953,317
<b>Operating costs and expenses:</b>		
Forest products . . . . .	8,495,093	6,017,800
Petroleum and natural gas . . . . .	254,407	246,289
General and administrative . . . . .	599,105	591,006
Interest and finance . . . . .	71,420	392,951
Depreciation . . . . .	704,476	702,950
Depletion . . . . .	634,050	542,153
Exploration, development and survey . . . . .	40,202	27,531
Loss on foreign trading . . . . .	—	47,901
	<hr/>	<hr/>
Operating income . . . . .	10,798,753	8,568,581
	<hr/>	<hr/>
Other income:		
Cash payments arising from sale of coal properties in 1968 (Note 2) . . . . .	618,841	596,443
Miscellaneous . . . . .	70,761	89,197
Gain on sale of property . . . . .	95,957	101,465
	<hr/>	<hr/>
785,559	787,105	
	<hr/>	<hr/>
Income before income taxes . . . . .	2,602,201	1,171,841
Income taxes . . . . .	905,169	257,989
Income before extraordinary items . . . . .	1,697,032	913,852
	<hr/>	<hr/>
<b>Extraordinary items:</b>		
Sale of mineral exploration rights . . . . .	—	97,199
Income tax reduction arising from loss carry forward (Note 3) . . . . .	792,014	175,320
Net income for the year . . . . .	<hr/>	<hr/>
	\$ 2,489,046	\$ 1,186,371
	<hr/>	<hr/>
<b>Per share:</b>		
Income before extraordinary items . . . . .	\$2.28	\$1.22
Extraordinary items . . . . .	1.06	.37
Net income . . . . .	<hr/>	<hr/>
	\$3.34	\$1.59
	<hr/>	<hr/>

See accompanying notes.



## STATEMENT 4

### CROWS NEST INDUSTRIES LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

#### consolidated statement of source and application of funds for the years ended December 31, 1972 and 1971

	<u>1972</u>	<u>1971</u>
<b>Source of funds:</b>		
Net income for the year . . . . .	\$ 2,489,046	\$ 1,186,371
Add charges not requiring an outlay of funds:		
Depreciation and depletion . . . . .	1,338,526	1,245,103
Deferred income taxes . . . . .	113,155	82,942
Funds provided from operations . . . . .	3,940,727	2,514,416
Proceeds from sale of Kaiser shares . . . . .	—	9,673,700
Total funds provided . . . . .	<u>3,940,727</u>	<u>12,188,116</u>
<b>Application of funds:</b>		
Purchase of fixed assets — net . . . . .	1,490,089	609,568
Deferred railway representation costs, etc. . . . .	(18,317)	132,759
Refundable deposits, etc. . . . .	(1,808)	97,866
Dividends paid to shareholders . . . . .	372,936	186,476
Total funds applied . . . . .	1,842,900	1,026,669
Increase in working capital . . . . .	2,097,827	11,161,447
Working capital (deficiency), beginning of year . . . . .	(529,151)	(11,690,598)
Working capital (deficiency), end of year . . . . .	<u>\$ 1,568,676</u>	<u>\$ (529,151)</u>

See accompanying notes.

### AUDITORS' REPORT

To the Shareholders of  
Crows Nest Industries Limited.

We have examined the consolidated balance sheet of Crows Nest Industries Limited and its wholly-owned subsidiary companies as at December 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Crows Nest Industries Limited and its wholly-owned subsidiary companies at December 31, 1972, the results of their operations, and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.  
March 2, 1973.

CLARKSON, GORDON & CO.,  
Chartered Accountants.



**CROWS NEST INDUSTRIES LIMITED  
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES**

**notes to consolidated financial statements  
december 31, 1972**

**1. FIXED ASSETS**

Depreciation is based on the estimated useful lives of the assets and is provided on the straight line method for the sawmill and the reducing balance method for other plant and equipment. Depletion is provided on timber assets and oil and gas interests on the unit of production method based on estimated reserves of timber, oil and gas.

**2. PAYMENTS ARISING FROM SALE OF COAL PROPERTIES IN 1968**

As part of the consideration for the sale of the Company's coal properties to Kaiser Steel Corporation in 1968, the Company is entitled to receive payments of 50 cents per ton of coal produced and shipped after January 1, 1977 from the properties sold. These payments are limited to an aggregate of \$34 million and will be included in income as received.

In addition, the Company has received a series of non-taxable cash payments (1972 — \$618,841; 1971 — \$596,443). The final payment of this series has been received and the portion applicable to 1973, \$51,570, will be included in the income of that year.

**3. INCOME TAXES**

Income taxes applicable to income earned in 1972 have been reduced by \$792,014 as a result of applying a portion of operating losses incurred in prior years. Similar income tax reductions of approximately \$1,100,000 are available to be applied against future taxes otherwise payable and will be included in income as extraordinary items as the losses are utilized.

**4. STATUTORY INFORMATION — CANADA CORPORATIONS ACT**

Remuneration of ten directors . . . . .	\$ 18,700
Remuneration of six officers . . . . .	\$161,469

Two officers are also directors.



**CROWS NEST INDUSTRIES LIMITED**  
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

**ten year summary of comparative highlights**

	<b>1972</b>	<b>1971</b>	<b>1970</b>
Sales of all products . . . . .	\$12,615,395	\$ 8,953,317	\$12,381,935
Income (loss) before extraordinary items . . . . .	1,697,032	913,852	(2,726,368)
Extraordinary items . . . . .	792,014	272,519	(2,512,795)
Net income (loss) for year . . . . .	2,489,046	1,186,371	(5,239,163)
Income (loss) per common share			
From operations . . . . .	2.28	1.22	(3.65)
Extraordinary items . . . . .	1.06	.37	(3.37)
Total . . . . .	3.34	1.59	(7.02)
Common shareholders' equity . . . . .	12,845,813	10,729,703	9,729,808
Equity per common share . . . . .	17.22	14.39	13.04
Cash dividends declared . . . . .	372,936	186,476	109,677
Dividends per common share . . . . .	50¢	25¢	15¢ + 2% stk
Depreciation and depletion . . . . .	1,338,526	1,245,103	1,156,899
Capital expenditures . . . . .	1,552,865	720,271	1,261,916
Working capital . . . . .	1,568,676	(529,151)	(11,690,598)
Production—lumber (fbm) . . . . .	99,416,526	92,326,957	91,822,345
Production—oil (bbls) . . . . .	329,917	351,800	344,593
Production—coal, coke and breeze (tons) . . . . .	—	—	—
Number of employees at year-end . . . . .	404	394	420
Common shares at year-end			
Number outstanding . . . . .	745,872	745,872	745,872
Percentage held by—Canadians . . . . .	41%	41%	41%
—Other . . . . .	59%	59%	59%
Number of shareholders at year-end			
Canadian . . . . .	246	261	258
Other . . . . .	228	222	237

1969	1968	1967	1966	1965	1964	1963
\$11,189,493	\$12,001,891	\$15,965,891	\$14,070,916	\$13,072,834	\$ 8,868,843	\$ 8,580,081
(1,515,467)	479,449	380,964	469,183	488,863	494,922	720,389
—	7,020,125	—	85,329	597,035	566,840	—
(1,515,467)	7,499,574	380,964	554,512	1,085,898	1,061,762	720,389
(2.07)	.66	.52	.65	.68	.69	1.01
—	9.59	—	.12	.83	.79	—
(2.07)	10.25	.52	.77	1.51	1.48	1.01
15,078,648	17,142,497	10,102,823	10,235,615	10,146,722	9,569,615	9,044,193
20.62	23.45	13.91	14.12	14.12	13.38	12.65
548,382	548,025	544,256	540,619	551,756	536,340	549,503
75¢	75¢	75¢	75¢	75¢	75¢	75¢
862,738	637,450	1,134,975	1,318,585	1,184,957	795,570	773,931
5,425,070	2,394,660	1,089,638	1,803,848	2,848,548	2,518,488	510,036
(8,572,938)	(766,024)	472,797	888,041	1,246,482	2,192,182	2,109,941
53,823,668	39,489,957	47,831,535	68,813,323	68,375,793	24,275,253	17,435,569
290,846	233,582	174,086	170,008	185,225	221,128	230,492
—	167,617	1,105,387	1,009,003	924,531	978,441	902,049
428	344	818	830	935	823	754
731,175	731,175	726,550	724,675	718,425	715,120	715,120
40%	26%	26%	30%	24%	18%	13%
60%	74%	74%	70%	76%	82%	87%
255	252	305	364	311	247	201
228	261	253	275	314	355	403



crows nest  
industries limited

